

12 March 1969

Mr. John C. Eppes, C.L.U.  
Assistant Secretary  
Life Insurance Company of North America  
1600 Arch Street  
Philadelphia, Pennsylvania

Dear Mr. Eppes:

As [ ] recently explained to you, the Central Intelligence Agency is considering the creation of a voluntary savings and investment program for the benefit of its career employees. Our planning has brought us to the point where we need expert counsel and we presume, therefore, to turn to the Life Insurance Company of North America.

To make certain that you have an adequate understanding of our problems and goals, I will review the situation briefly.

Agency employees participate in either the Civil Service or the Central Intelligence Agency Retirement System. Each system provides reasonable retirement benefits related to age, service and salary, and, in addition, for automatic cost-of-living increases when warranted. Nevertheless, there are special factors relating to employment in this Agency which induce us to believe that a supplemental savings and investment plan would be a valuable addition to our total Agency retirement program.

For one thing, Agency policy sets the normal retirement age at sixty. This is more than five years younger than the average voluntary retirement age in Government service and, other things being equal, the earned annuity is therefore lower than for the average Government annuitant. In addition, a substantial number of our employees serve for extended periods in areas and under conditions where they have neither the time, information, or facilities to effectively manage a personal investment program.

We intend to qualify our voluntary savings and investment plan with the Internal Revenue Service as a tax exempt pension trust. It will be somewhat unusual in that the Agency will make no direct contributions thereto.

- 2 -

Mr. John C. Eppes, C.L.U.

12 March 1969

Employee contributions will be by payroll allotment, subject to such limitations as to percentage of earnings as the Internal Revenue Service may prescribe.

The principal incentive for employee participation, beyond the tax shelter benefit and the convenience of payroll savings, clearly must be the individual's conviction that the plan offers him a better way to invest his long term savings to achieve maximum growth with reasonable safety than any other form of personal investment. In this connection, it can be assumed that CIA employees collectively are fairly sophisticated in their economic understanding, know the difference between saving for interest and investing for dividends and appreciation; that they understand and are concerned with the forces of inflation, and seek to hedge by making effective equity investments.

If our analysis is correct, our problem, first, is to determine the investment philosophy or philosophies that would be most responsive to the needs and objectives of our employees and, then, to select a specific investment medium or mediums that will attract the savings of our employees because they show the greatest promise of accomplishing their objectives. Modify this, perhaps, by the Agency's desire that the program be carried out with minimum work, worry, and expense.

It is here that we seek experienced counsel. We would appreciate your views as to the investment philosophy(s) you would recommend for long term employee savings and also your comments and recommendations as to the investment medium(s) most appropriate for the investment management of the trust funds involved. Our preliminary discussions within the Agency have centered on three principal possibilities:

- a. an investment portfolio managed by the trustees with the advice of professional investment counsel;
- b. a portfolio selected and managed by an independent investment institution or professional investment counsel having complete discretion over the portfolio;

- 3 -

Mr. John C. Eppes, C.L.U.

12 March 1969

c. investment in one or more mutual funds selected by the trustees with the advice of professional investment counsel - probably offered to employees with the right to select the fund or funds they wish to invest in.

Other alternatives or variations will no doubt occur to you. In any event, we sincerely hope you will give us the benefit of your thinking on any aspects of our tentative undertaking. We leave the time of a meeting entirely to your discretion. I look forward to hearing from you soon.

Sincerely,



STAT

Special Assistant to the  
Deputy Director for Support  
for Special Studies

SA-DD/S/SS/EDE:bak(10 Mar 69)

Distribution:

Orig. & 1 - Addressee

STAT

1 - ea member Task Force on Stock Plan



1 - DD/S Subject

1 - DD/S Chrono

1 - 

STAT